

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	48.25	1.00	0.00	49.25	1.00	0.00	49.25	49.25
Personal Services	3,461,121	(296,723)	130,309	3,294,707	(287,011)	273,411	3,447,521	6,742,228
Operating Expenses	6,540,475	27,600	700,000	7,268,075	44,850	(100,000)	6,485,325	13,753,400
Benefits & Claims	0	15,000,000	0	15,000,000	15,000,000	0	15,000,000	30,000,000
Debt Service	13,066	0	0	13,066	0	0	13,066	26,132
Total Costs	\$10,014,662	\$14,730,877	\$830,309	\$25,575,848	\$14,757,839	\$173,411	\$24,945,912	\$50,521,760
General Fund	3,095,543	(177,526)	198,840	3,116,857	(167,044)	55,535	2,984,034	6,100,891
State/Other Special	353,583	(40,340)	6,315	319,558	(38,335)	13,884	329,132	648,690
Federal Special	6,565,536	14,948,743	625,154	22,139,433	14,963,218	103,992	21,632,746	43,772,179
Total Funds	\$10,014,662	\$14,730,877	\$830,309	\$25,575,848	\$14,757,839	\$173,411	\$24,945,912	\$50,521,760

Program Description

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are the Deputy Director who serves as the state Medicaid director, legal affairs, personnel services, public information, the prevention resource center, the AmeriCorps* VISTA Program, the Office of Budget and Finance, and the Office of Planning, Coordination, and Analysis. The Department of Public Health and Human Services Statewide Advisory Council, the Native American Advisory Council, and the Montana Health Coalition are administratively attached and the director serves on the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Statutory authority is in Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

Program Highlights

Director's Office Major Budget Highlights
<p>The 2009 Biennium budget increases \$33.6 million over the doubled FY 2006 base budget amount</p> <ul style="list-style-type: none"> ◆ HIFA waiver results in \$30 million of the increase, all in federal appropriations ◆ A new proposal for contracted services to analyze MMIS and MHS increases overall appropriation by \$0.8 million with \$0.2 million in general fund

Program Narrative

The FY 2008 appropriations for the Director's Office are about \$18 million higher than FY 2006 base budget expenditures and the FY 2009 appropriations are about \$16 million above the FY 2006 base expenditures. The increases are due to an increase of \$15.0 million annually in federal appropriations for the Health Insurance Flexibility and Accountability (HIFA) waiver and an \$800,000 one-time-only appropriation in FY 2008 to analyze the Medicaid Management Information System (MMIS) and the Mental Health System (MHS).

Present law changes for the Director's Office are negative for both years of the 2009 biennium due to removal of department wide termination payouts of about \$850,000. Agencies pay accumulated annual leave and a portion of unused sick leave when employees retire or leave state employment. Termination payouts are recorded in the personnel

program budget in the Director's Office and then removed from the base budget as a one-time expense. Removal of termination costs accounts for a reduction of about \$461,000 in general fund, \$81,000 in state special revenue, and \$308,000 in federal funds from the FY 2006 base budget as compared to the annual requests for the 2009 biennium. Funds are transferred from other divisions in DPHHS to pay termination costs. Other personal services and operating costs offset part of the reductions due to the removal of termination costs.

The 2006 base budget was increased by \$5.7 million, the majority in operating costs, due to a departmental reorganization which moved the Medicaid Management Information System (MMIS) administration from the Information Technology Division to the Director's Office. The reorganization increased general fund appropriations by about \$1.4 million and federal special revenue by \$4.3 million annually.

Biennial Comparison

Figure 23 shows the 2007 biennium compared to the legislative budget for the 2009 biennium. The 2007 biennium figures comprise FY 2006 expenditures and FY 2007 appropriations. The 2007 biennium estimates include \$10,120,000 in federal special revenue appropriations for the HIFA waiver. As of May 2007, the waiver was still not approved. As a result, the benefits and claims for the 2007 biennium are significantly overstated.

Personal services costs increase by about \$600,000 between the 2007 biennium and the 2009 biennium. Personal service increases are discussed in the present law section below. Operating costs decrease by \$3.9 million from the 2007 biennium total due to one-time-only costs of \$4.2 million

associated with system changes for departmental databases for the HIFA waiver included in FY 2007. Benefits and claims increase by \$20 million for the implementation of the HIFA waiver. Increased costs reflect the waiver being in place for the entire 2009 biennium, while in the 2007 biennium the majority of the costs were projected to be incurred in FY 2007. As stated earlier, the waiver has not been approved as of this writing and no costs have been incurred in FY 2007. If the HIFA waiver is not approved as proposed, the legislature requested DPHHS bring options for other populations to be served by the HIFA waiver to the Children, Families, Health, and Human Services Interim Committee.

Total funds increase by about \$16.0 million between the two biennia. General fund increases slightly over the period as a result of the removal of one-time termination payouts in the base budget. The reductions offset present law increases for personal services, fixed costs, and inflation. Reductions of about \$80,000 in state special revenue funds are the result of reductions for one-time termination payouts. An increase of \$22 million in federal funds is mostly attributable to the HIFA waiver implementation.

	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	48.25	49.25		1.00	
Personal Services	\$6,147,901	\$6,742,228	\$0	\$594,327	9.7%
Operating Costs	17,647,394	13,753,400	27.22%	(3,893,994)	-22.1%
Benefits & Claims	10,620,000	30,000,000	59.38%	19,380,000	182.5%
Debt Services	25,908	26,132	0.05%	224	0.9%
Total Costs	<u>\$34,441,203</u>	<u>\$50,521,760</u>	<u>100.00%</u>	<u>\$16,080,557</u>	<u>46.7%</u>
General Fund	5,928,754	6,100,891	12.08%	172,137	2.9%
State/Other Special	708,840	648,690	1.28%	(60,150)	-8.5%
Federal Special	<u>27,803,609</u>	<u>43,772,179</u>	<u>86.64%</u>	<u>15,968,570</u>	<u>57.4%</u>
Total Funds	<u>\$34,441,203</u>	<u>\$50,521,760</u>	<u>100.00%</u>	<u>\$16,080,557</u>	<u>46.7%</u>

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Director'S Office						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 3,095,543	30.9%	\$ 3,116,857	12.2%	\$ 2,984,034	12.0%
01100 General Fund	3,095,543	30.9%	3,116,857	12.2%	2,984,034	12.0%
02000 Total State Special Funds	353,583	3.5%	319,558	1.2%	329,132	1.3%
02099 69010-Vista-Community Cost Shr	103,859	1.0%	113,124	0.4%	114,161	0.5%
02377 02 Indirect Activity Prog 04	249,724	2.5%	206,434	0.8%	214,971	0.9%
03000 Total Federal Special Funds	6,565,536	65.6%	22,139,433	86.6%	21,632,746	86.7%
03072 69010-Cns-Grants-Vista	308,867	3.1%	336,421	1.3%	339,500	1.4%
03580 6901-93.778 - Med Adm 50%	14,838	0.1%	15,237	0.1%	15,319	0.1%
03583 93.778 - Med Ben Fmap	-	-	15,027,480	58.8%	15,027,554	60.2%
03594 03 Indirect Activity Prog 04	6,241,831	62.3%	6,516,436	25.5%	6,000,236	24.1%
03596 03 Indirect Activity Prog 07	-	-	243,859	1.0%	250,137	1.0%
Grand Total	\$ 10,014,662	100.0%	\$ 25,575,848	100.0%	\$ 24,945,912	100.0%

The Director's Office is funded through a combination of general fund, state special revenue, and federal special revenue. The majority of the functions are cost allocated through a complex plan approved by the federal oversight agency. Federal cost allocation increases about \$550,000 in FY 2008 due to the MMIS and MHS system changes. In the base budget, the largest source of funding is federal cost allocation reimbursements (62 percent of the total). In FY 2008 and FY 2009 the largest source of funding is Medicaid benefit reimbursements for the HIFA waiver (59 percent). If CMS approves the waiver request, \$30 million in federal appropriation authority and funding will be distributed among other departmental divisions over the biennium.

General fund supports about 12.0 percent of the Director's Office 2009 biennium budget. The total biennial budget is about \$250,000 less than the doubled FY 2006 base budget due to reductions for one-time termination payouts.

State special revenue supporting the Director's Office is from two sources: 1) cost allocation, which is about \$200,000 annually; and 2) community cost share for VISTA volunteers. The Office of Prevention Resources administers the VISTA program, which is supported by a federal grant.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(193,494)					(183,456)
Vacancy Savings				(130,709)					(131,109)
Inflation/Deflation				2,077					2,388
Fixed Costs				25,523					42,462
Total Statewide Present Law Adjustments				(\$296,603)					(\$269,715)
DP 40006 - Health Insurance Flexibility Accountability Waiver	1.00	0	0	15,027,480	1.00	0	0	15,027,554	15,027,554
Total Other Present Law Adjustments	1.00	\$0	\$0	\$15,027,480	1.00	\$0	\$0	\$15,027,554	\$15,027,554
Grand Total All Present Law Adjustments				\$14,730,877					\$14,757,839

DP 40006 - Health Insurance Flexibility Accountability Waiver - The legislature added \$30.1 million federal Medicaid matching funds over the biennium for the implementation of and provision of services related to the Health Insurance Flexibility Accountability (HIFA) Waiver. The state match would be provided by a combination of state revenue funds including \$19.3 million in health and Medicaid initiative state special revenue from tobacco taxes and \$1.7 million of tobacco settlement funds. Health and Medicaid initiative revenues include \$6.5 million for the Mental Health Services Plan (MHSP) and \$12.8 million for Insure Montana – a small business health insurance program which provides insurance incentive payments for employers and premium assistance for employees. Tobacco settlement funds provide for Montana Comprehensive Health Association (MCHA) premium assistance benefiting Montanans who are unable to obtain health insurance due to risks factors such as cancer or HIV.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The 2005 Legislature approved development and submission of a HIFA waiver.

Goal: A HIFA waiver would generate approximately \$15 million per year in additional federal Medicaid revenue to provide the services outlined under the waiver and would do so without the need for additional state dollars above the amount already appropriated for MHSP, MCHA and the new small business incentives under HB 667 enacted by the 2005 Legislature. The HIFA waiver would allow services to be provided to an additional 5,000 individuals in Montana. The HIFA waiver would begin to reduce the number of uninsured Montanans most in need of access to health care services.

Performance Criteria: This program is dependent on receiving federal approval of the HIFA waiver to obtain the necessary federal cost participation.

The HIFA waiver would allow approximately an additional 5,000 low income individuals to receive health insurance or health services. The proposed numbers of uninsured or underinsured persons that would receive HIFA waiver services include:

- Up to 300 SED youth, ages 18 through 20, who have incomes equal to or less than 150 percent of FPL, in transition from children's mental health services and no longer eligible for Medicaid due to their age
- Up to 600 working parents with incomes less than or equal to 200 percent FPL who are no longer eligible for Medicaid, but whose children continue to be enrolled in Medicaid
- Up to 60 individuals currently on the MCHA premium assistance waiting list and potentially up to 260 existing MCHA participants
- Up to 1,200 individuals through the Insure Montana program provided under the small business insurance pool
- Up to 1,500 current MHSP participants

Spending under the HIFA waiver would be controlled by limiting the number of people served in the waiver and the maximum amount of money the state is obligated to spend on benefits for the eligibility groups covered under this waiver. Spending on the waiver eligibility groups would be limited and capped to a specific benefit regardless of the medical necessity of the services. If it appears there is a risk of exceeding the spending or enrollment limits, DPHHS would limit enrollment in the program and/or reduce the number of eligible clients by attrition. Limits and controls on spending would not impact the existing Medicaid program eligibility, benefits, and reimbursement rates.

Milestones: The HIFA waiver was submitted to CMS in July 2006 and DPHHS is waiting for approval. The implementation of the necessary system design and enhancements is anticipated to take place over a three-year period beginning in January 2007 with the majority taking place during FY 2008 and 2009. The targeted implementation date for the HIFA waiver is July 1, 2007. Other than the MHSP clients who are already enrolled in the program, the new programs would enroll clients over a period of time. The SED youth program would enroll 100 children per year up to the maximum of 300 enrolled at any given time.

FTE: No additional FTE is needed for this request.

Funding: Funding for this decision package is 100 percent federal Medicaid funds. These funds would be transferred to the divisions where the expenditures would be incurred as the waiver approval moves forward and specific services are provided. The state Medicaid match would be transferred from the MHSP, MCHA, and Insure Montana appropriations from the health and Medicaid initiatives state special revenue account.

Obstacles: The HIFA waiver would need to be approved by CMS. Once approved, DPHHS would need to complete the necessary computer system requirements to determine and track eligibility and make premium and benefits payments under the health savings account option.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	47,336	6,124	73,272	126,732	0.00	103,943	13,675	152,050	269,668
DP 6014 - Retirement Employer Contributions - HB 131										
04	0.00	1,504	191	1,882	3,577	0.00	1,592	209	1,942	3,743
DP 40004 - MMIS and Mental Health Systems Analysis (BIEN/OTO)										
04	0.00	200,000	0	600,000	800,000	0.00	0	0	0	0
DP 40010 - Agency Telecommunications										
04	0.00	(50,000)	0	(50,000)	(100,000)	0.00	(50,000)	0	(50,000)	(100,000)
Total	0.00	\$198,840	\$6,315	\$625,154	\$830,309	0.00	\$55,535	\$13,884	\$103,992	\$173,411

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 40004 - MMIS and Mental Health Systems Analysis (BIEN/OTO) - The legislature included a one-time-only restricted biennial appropriation of \$800,000, \$200,000 general fund, in FY 2008 to analyze the current MMIS and Mental Health System and make recommendations for improvement or rewrite of the systems.

DP 40010 - Agency Telecommunications - The legislature included a reduction of \$200,000 over the biennium, including \$100,000 general fund, for expected savings to DPHHS for cost savings generated by the use of video conferencing technologies. The savings are included in the Director's Office but would be distributed throughout the department.

Language

The legislature approved the following language for inclusion in HB 2.

"Included in Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress towards the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint

appropriations subcommittee on health and human services

If the reports are not received by the legislative finance committee on December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200."

The Governor vetoed the language when he signed HB 2.